

IRS News Release

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IRS Revises Offer in Compromise Application Form; Now Available for Use

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WASHINGTON — The Internal Revenue Service announced today that the newly revised taxpayer application for an offer in compromise, the Form 656 package, is now available.

An offer in compromise is an agreement between a taxpayer and the IRS that resolves the taxpayer's tax liability. Under certain circumstances, the IRS has the authority to settle federal tax liabilities by accepting less than full payment.

The Form 656 package was redesigned to make it easier for taxpayers to follow the instructions for and correctly prepare the application for an agreement. The form was last revised in 2001.

The new form also includes a signature block for the tax practitioner (if any) employed by the taxpayer to prepare the application form. This paid preparer signature block was added to discourage unscrupulous promoters who falsely market offers in compromise to taxpayers as a “pennies on the dollar” approach.

“This is part of our continuing effort to improve this program, which benefits both taxpayers and tax administration by allowing people to settle tax liabilities,” said IRS Commissioner Mark W. Everson. “The new application will help taxpayers determine if they are eligible to file for an offer and ease the application process.”

The IRS worked with and received recommendations from external groups and the National Taxpayer Advocate in revising the Form 656 package.

The package now includes Form 656-A, Income Certification for OIC Application Fee, and a worksheet to help taxpayers determine whether they meet the income exception to the \$150 fee. The redesign also features:

- A checklist to help taxpayers determine if they are eligible to file an OIC before they invest time in form preparation;
- A step-by-step guide through the OIC process;

- A Third Party Designee section, which allows a person other than the taxpayer to discuss any additional information that the IRS needs to process the offer; and
- A summary checklist that reduces the chance that the application will be returned by the IRS for omissions.

Tax practitioners and the general public should begin using the 2004 revised package immediately and destroy any previous versions of the form they may have.

Applicants may order the package by calling the IRS toll-free at 1-800-TAX-FORM (1-800-829-3676). The Form 656 package is also available on the IRS Web site at www.irs.gov.